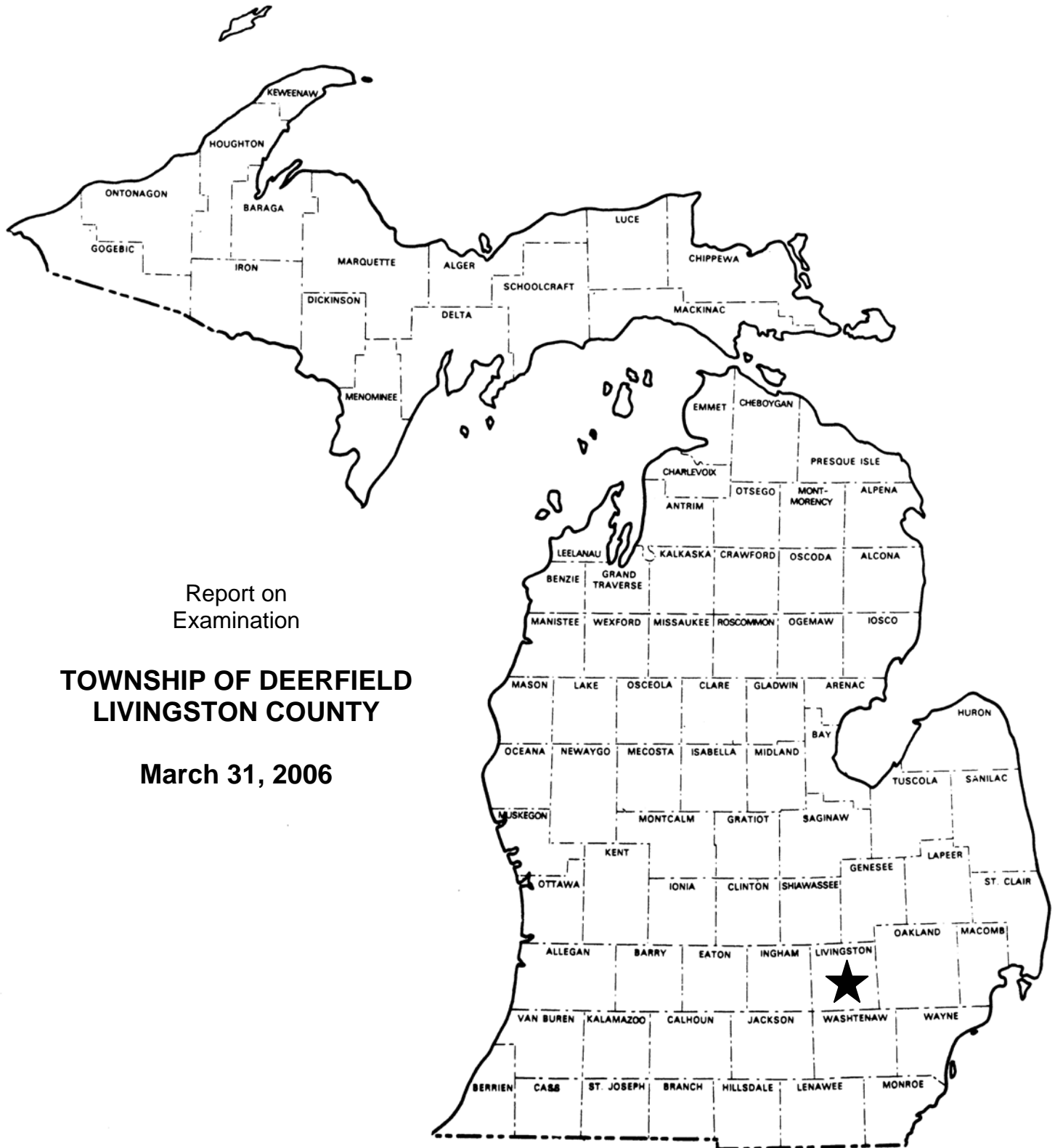


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY



DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

TOWNSHIP BOARD

Thomas Green
Supervisor

Nancy Laier
Clerk

Cheryl Petchell
Treasurer

Douglas Taylor
Trustee

Alfred Mattioli
Trustee

TOWNSHIP POPULATION--2000

4,087

STATE EQUALIZED VALUATION--2005

\$234,490,554



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

July 31, 2006

Township Board
Deerfield Township
4492 Center Road
Linden, Michigan 48451

Independent Auditor's Report

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Deerfield Township, Livingston County, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Deerfield Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Deerfield Township, as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated July 31, 2006, on our consideration of Deerfield Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report

is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 1 through 7 and the Budgetary Comparisons for Major Funds in Exhibits I through L are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Deerfield Township's basic financial statements. The accompanying supplemental information in Exhibits M through Q is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements, taken as a whole.

A handwritten signature in dark ink, appearing to read 'CJ Vaughn', is positioned above the printed name.

Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

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DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

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TOWNSHIP OF DEERFIELD--LIVINGSTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township, as a whole, and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's net assets for the governmental funds increased \$65,365 from a year ago for the governmental activities. The Township's net assets for the business-type activities decreased \$19,987 from a year ago. In a condensed format, the tables below show a comparison of the net assets as of the current year to the prior year.

	Governmental Activities 2005	Governmental Activities 2006	Difference	Percent
Current and Other Assets	\$ 994,423	\$ 958,231	\$ (36,192)	-4%
Capital Assets	5,026,720	5,009,809	(16,911)	0%
Total Assets	6,021,143	5,968,040	(53,103)	-1%
Long-Term Debt Outstanding	766,485	675,382	(91,103)	-12%
Other Liabilities	95,008	67,643	(27,365)	-29%
Total Liabilities	861,493	743,025	(118,468)	-14%
Net Assets				
Invested in Capital Assets--Net of Debt	4,260,235	4,334,427	74,192	2%
Restricted	436,482	317,801	(118,681)	-27%
Unrestricted	462,933	572,787	109,854	24%
Total Net Assets	\$ 5,159,650	\$ 5,225,015	\$ 65,365	1%

A portion of the Township's net assets in the amount of \$4,334,427 reflects its investments in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TOWNSHIP OF DEERFIELD--LIVINGSTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

An additional portion of the Township's net assets, \$317,801 represents resources that are subject to external restrictions on how they may be used.

The remaining balance of \$572,787 represents "*unrestricted net assets*" that may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories (invested in capital assets-net of related debt, restricted and unrestricted) of net assets, both for the government, as a whole, as well as for its separate governmental and business-type activities as explained above.

	Business-Type Activities 2005	Business-Type Activities 2006	Difference	Percent
Current and Other Assets	\$ 41,492	\$ 26,436	\$ (15,056)	-36%
Capital Assets	<u>1,775,049</u>	<u>1,750,910</u>	<u>(24,139)</u>	<u>-1%</u>
Total Assets	<u>1,816,541</u>	<u>1,777,346</u>	<u>(39,195)</u>	<u>-2%</u>
Long-Term Debt Outstanding	<u>83,233</u>	<u>64,025</u>	<u>(19,208)</u>	<u>-23%</u>
Total Liabilities	<u>83,233</u>	<u>64,025</u>	<u>(19,208)</u>	<u>-23%</u>
Net Assets				
Invested in Capital Assets--Net of Debt	1,691,816	1,686,885	(4,931)	0%
Unrestricted	<u>41,492</u>	<u>26,436</u>	<u>(15,056)</u>	<u>-36%</u>
Total Net Assets	<u><u>\$1,733,308</u></u>	<u><u>\$1,713,321</u></u>	<u><u>\$ (19,987)</u></u>	<u><u>-1%</u></u>

TOWNSHIP OF DEERFIELD--LIVINGSTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets for the years ended March 31, 2005 and March 31, 2006:

	Governmental Activities <u>2005</u>	Governmental Activities <u>2006</u>	<u>Difference</u>	<u>Percent</u>
Program Revenues				
Charges for Services	\$ 330,927	\$ 329,474	\$ (1,453)	0%
Operating Grants and Contributions	107,968	73,620	(34,348)	-32%
Capital Grants and Contributions	84,000		(84,000)	-100%
General Revenues				
Property Taxes	271,116	320,681	49,565	18%
State-Shared Revenues	277,884	279,349	1,465	1%
Unrestricted Investment Earnings	4,838	4,344	(494)	-10%
Total Revenues	<u>1,076,733</u>	<u>1,007,468</u>	<u>(69,265)</u>	<u>-6%</u>
Program Expenses				
General Government	326,581	317,318	(9,263)	-3%
Public Safety	182,069	220,571	38,502	21%
Public Works	152,335	270,667	118,332	78%
Health and Welfare		2,300	2,300	100%
Community and Economic Development	35,869	45,169	9,300	26%
Recreation and Culture	490	6,543	6,053	1235%
Other	81,144	48,841	(32,303)	-40%
Interest on Long-Term Debt	34,326	30,110	(4,216)	-12%
Total Expenses	<u>812,814</u>	<u>941,519</u>	<u>128,705</u>	<u>16%</u>
Increase (Decrease) Before Special Items	263,919	65,949	(197,970)	-75%
Special Items--Gain (Loss) on Disposal of Capital Assets	<u>28,044</u>	<u>(584)</u>	<u>(28,628)</u>	<u>-102%</u>
Increase (Decrease) in Net Assets	<u>\$ 291,963</u>	<u>\$ 65,365</u>	<u>\$ (226,598)</u>	<u>-78%</u>

The capital grants and contributions revenue decreased by \$84,000 because a communications tower was contributed to the Township in the prior year.

TOWNSHIP OF DEERFIELD--LIVINGSTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

	<u>Business-Type Activities 2005</u>	<u>Business-Type Activities 2006</u>	<u>Difference</u>	<u>Percent</u>
Program Revenues				
Charges for Services	\$155,885	\$139,665	\$(16,220)	-10%
General Revenues				
Unrestricted Investment Earnings	<u>204</u>	<u>295</u>	<u>91</u>	<u>45%</u>
Total Revenues	<u>156,089</u>	<u>139,960</u>	<u>(16,129)</u>	<u>-10%</u>
Program Expenses				
Sewer	<u>164,852</u>	<u>159,947</u>	<u>(4,905)</u>	<u>-3%</u>
Total Expenses	<u>164,852</u>	<u>159,947</u>	<u>(4,905)</u>	<u>-3%</u>
Increase (Decrease) in Net Assets	<u>\$ (8,763)</u>	<u>\$ (19,987)</u>	<u>\$(11,224)</u>	<u>128%</u>

TOWNSHIP OF DEERFIELD--LIVINGSTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

The Township's total governmental revenues decreased by \$97,309 and the expenditures decreased by \$310,779, as follows:

	Governmental Activities 2005	Governmental Activities 2006	Amount Difference 2006	Percent Difference 2006
Revenues				
Taxes	\$ 271,116	\$ 320,681	\$ 49,565	18%
Licenses and Permits	21,644	20,969	(675)	-3%
State Grants	282,599	283,464	865	0%
Charges for Services	23,685	28,519	4,834	20%
Contributions From Local Units	1,264	1,548	284	22%
Fines and Forfeits	14,055	330	(13,725)	-98%
Interest and Rentals	116,427	81,901	(34,526)	-30%
Other	373,987	270,056	(103,931)	-28%
Total Revenues	1,104,777	1,007,468	(97,309)	-9%
Expenditures				
General Government	279,488	280,899	1,411	1%
Public Safety	176,076	204,540	28,464	16%
Public Works	152,335	270,667	118,332	78%
Health and Welfare		2,300	2,300	100%
Community and Economic Development	35,869	45,169	9,300	26%
Recreation and Culture	490		(490)	-100%
Other	81,144	48,841	(32,303)	-40%
Capital Outlay	470,953	42,666	(428,287)	-91%
Debt Service				
Principal	96,393	91,103	(5,290)	-5%
Interest	34,326	30,110	(4,216)	-12%
Total Expenditures	1,327,074	1,016,295	(310,779)	-23%
Excess of Revenues Over (Under) Expenditures	(222,297)	(8,827)	213,470	-96%
Other Financing Sources (Uses)				
Interfund Transfers In	52,646	43,403	(9,243)	-18%
Interfund Transfers (Out)	(52,646)	(43,403)	9,243	-18%
Total Other Financing Sources (Uses)	-	-	-	0%
Beginning Fund Balance	1,024,819	899,415	(125,404)	-12%
Restatement to Beginning Fund Balance	96,893		(96,893)	-100%
Restated Beginning Fund Balance	1,121,712	899,415	(222,297)	-20%
Ending Fund Balance	\$ 899,415	\$ 890,588	\$ (8,827)	-1%

TOWNSHIP OF DEERFIELD--LIVINGSTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The tax revenue increased for the year as the Township continues to have a growing tax base. While the millage has remained unchanged, the Township has received additional revenue due to the growing tax base. Tax revenue also increased because the Township collected a 1 percent property tax administration fee for the first time.

The other revenue category decreased mainly because of an \$84,000 private source contribution for a communications tower in the prior year.

Expenditures decreased by \$310,779 for the year. Most of the decrease was attributable to fire related capital outlay, as 2005 was the first full year of fire authority operations. The main reason for the decrease in other expenditures was because of \$42,140 of special assessment refunds from the Wolcott Mill Special Assessment Fund in the prior year.

Business-Type Activities

The Township's business-type activities consist of the Sewer Fund. The Township provides sewage disposal services to some of the Township's residents. The revenues and expenses of the sewer system did not change significantly compared to the previous year.

The Township's Governmental Funds

Our analysis of the Township's major funds begins with Exhibit C, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2006 include the General Fund, Municipal Road Fund, Fire Fund and Compliance Impact and Benefit Fund.

The General Fund pays for most of the Township's governmental services. The most significant are for general government activities, which incurred expenses of \$280,899 for 2006. These services are supported by the operating millage and state shared revenues. The Municipal Road Fund accounts for the road millage tax revenue that is restricted for use on county primary and local roads. The Fire Fund accounts for special assessment revenue that is restricted for fire protection and other emergency health and safety services. The Hidden Lake, Lobdell Lake, Ryan Lake and Katrine Hills Funds account for special assessment revenue that is restricted for lake clean up and channel weed control services. The Compliance Impact and Benefit Fund accounts for gravel mining royalty revenue that is used for costs of compliance with environmental laws and regulations related to gravel mining, including road repairs and for general government activities. The Deerfield Hills Park Fund accounts for State grants and other contributions, for park land acquisition and park improvements.

TOWNSHIP OF DEERFIELD--LIVINGSTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

General Fund Budgetary Highlights

Over the course of the year, the Township Board amended the budget to take into account events during the year. None of the changes were significant.

Capital Asset and Debt Administration

At the end of March 2006, the Township's governmental funds had \$5,009,809 invested in a broad range of capital assets including land, buildings and equipment, and \$1,750,910 invested in the sewer system. To pay for part of the costs of constructing a new town hall and fire hall, the Township entered into installment purchase agreement debt obligations with a remaining balance of \$675,382. To pay for the sewer capital assets, the Township entered into bond agreement debt obligations with a remaining balance of \$64,025.

Economic Factors and Next Year's Budgets and Rates

The Township's 2007 budget will remain primarily the same as 2006, except that the General Fund Debt Service budget will need to be increased to provide for municipal building installment loan balloon payments due in March 2007 totaling \$278,026. The increased debt service expenditures will cause the General Fund's projected fund balance at March 31, 2007 to decrease to approximately \$157,000. The Township will explore refinancing the balloon payments. The Township's budget is not expected to have any other significant fluctuations in revenues or expenses.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk's Office at 4492 Center Road, Linden, MI 48451.

**DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2006**

EXHIBIT A

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current Assets			
Cash and Cash Equivalents	\$ 574,725	\$ 19,570	\$ 594,295
Investments	236,797		236,797
Receivables			
Taxes--Delinquent	29,655		29,655
Special Assessments	23,927		23,927
Accounts	45,651	6,866	52,517
Due From State	46,476		46,476
Due From Other Funds--Agency Fund	1,000		1,000
Total Current Assets	958,231	26,436	984,667
Noncurrent Assets			
Capital Assets--Net of Accumulated Depreciation	5,009,809	1,750,910	6,760,719
Total Assets	5,968,040	1,777,346	7,745,386
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	19,931		19,931
Accrued Liabilities	5,188		5,188
Performance Deposits Payable	22,900		22,900
Escrow Deposits Payable	19,624		19,624
Noncurrent Liabilities			
Bonds Payable--Due Within One Year		19,207	19,207
Bonds Payable--Due in More Than One year		44,818	44,818
Installment Loans Payable--Due Within One Year	357,754		357,754
Installment Loans Payable--Due in More Than One Year	317,628		317,628
Total Liabilities	743,025	64,025	807,050
<u>NET ASSETS</u>			
Investment in Capital Assets--Net of Related Debt	4,334,427	1,686,885	6,021,312
Restricted for			
Metro Act	8,809		8,809
Roads	144,518		144,518
Special Assessment Programs	76,995		76,995
Compliance Impact and Benefit Use	67,521		67,521
Capital Projects	19,958		19,958
Unrestricted	572,787	26,436	599,223
Total Net Assets	\$ 5,225,015	\$ 1,713,321	\$ 6,938,336

The Notes to Financial Statements are an integral part of this statement.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2006

EXHIBIT B

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	PRIMARY GOVERNMENT		
					Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities							
General Government	\$ 317,318	\$ 41,299		-	\$ (276,019)		\$ (276,019)
Public Safety	220,571	231,880	\$ 680		11,989		11,989
Public Works	270,667	23,800	7,074		(239,793)		(239,793)
Health and Welfare	2,300				(2,300)		(2,300)
Community and Economic Development	45,169	30,089			(15,080)		(15,080)
Recreation and Culture	6,543		163		(6,380)		(6,380)
Other	48,841	2,406	65,703		19,268		19,268
Interest on Long-Term Debt	30,110				(30,110)		(30,110)
Total Governmental Activities	941,519	329,474	73,620	\$ -	(538,425)	\$ -	(538,425)
Business-Type Activities							
Sewer	159,947	139,665				(20,282)	(20,282)
Total Business-Type Activities	159,947	139,665	-	-	-	(20,282)	(20,282)
Total Primary Government	\$ 1,101,466	\$ 469,139	\$ 73,620	\$ -	\$ (538,425)	\$ (20,282)	\$ (558,707)
General Revenues							
Property Taxes					\$ 320,681		\$ 320,681
State-Shared Revenues					279,349		279,349
Unrestricted Investment Earnings					4,344	\$ 295	4,639
Special Item--Gain (Loss) on Disposal of Capital Assets					(584)		(584)
Total General Revenues and Special Items					603,790	295	604,085
Change in Net Assets					65,365	(19,987)	45,378
Net Assets--Beginning					5,159,650	1,733,308	6,892,958
Net Assets--Ending					\$ 5,225,015	\$ 1,713,321	\$ 6,938,336

The Notes to Financial Statements are an integral part of this statement

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
March 31, 2006

EXHIBIT C

	MAJOR GOVERNMENTAL FUNDS					
	General Fund	Municipal Road	Fire	Compliance Impact and Benefit	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 158,072	\$ 130,542	\$ 153,432	\$ 73,947	\$ 58,732	\$ 574,725
Investments	236,797					236,797
Receivables						
Taxes--Delinquent	15,587	14,068				29,655
Special Assessments			21,394		2,533	23,927
Accounts	1,839			43,812		45,651
Due From State	46,476					46,476
Due From Other Funds	121,500					121,500
Total Assets	<u>\$ 580,271</u>	<u>\$ 144,610</u>	<u>\$ 174,826</u>	<u>\$ 117,759</u>	<u>\$ 61,265</u>	<u>\$ 1,078,731</u>
<u>LIABILITIES AND FUND EQUITY</u>						
Liabilities						
Accounts Payable	\$ 1,201	\$ 92	\$ 18,288		\$ 350	\$ 19,931
Due to Other Funds			120,500			120,500
Accrued Liabilities	5,188					5,188
Performance Deposits Payable	22,900					22,900
Escrow Deposits Payable	19,624					19,624
Total Liabilities	<u>48,913</u>	<u>92</u>	<u>138,788</u>	<u>\$ -</u>	<u>350</u>	<u>188,143</u>
Fund Equity						
Fund Balances						
Reserved for						
Municipal Road		144,518				144,518
Program Special Assessment			36,038		40,957	76,995
Compliance Impact and Benefit				67,521		67,521
Capital Projects					19,958	19,958
Metro Act	8,809					8,809
Unreserved--Undesignated	522,549			50,238		572,787
Total Fund Equity	<u>531,358</u>	<u>144,518</u>	<u>36,038</u>	<u>117,759</u>	<u>60,915</u>	<u>890,588</u>
Total Liabilities and Fund Equity	<u>\$ 580,271</u>	<u>\$ 144,610</u>	<u>\$ 174,826</u>	<u>\$ 117,759</u>	<u>\$ 61,265</u>	<u>\$ 1,078,731</u>

The Notes to Financial Statements are an integral part of this statement.

**DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
RECONCILIATION OF FUND BALANCES ON THE
BALANCE SHEET FOR GOVERNMENTAL FUNDS
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS
March 31, 2006**

EXHIBIT C-1

Fund Balances--Total Governmental Funds	\$ 890,588
---	------------

Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds.

Add--Capital Assets	5,224,494
Deduct--Accumulated Depreciation	<u>(214,685)</u>

Net Capital Asset Addition	<u>5,009,809</u>
----------------------------	------------------

Long-term liabilities are not due and payable in the current period. Therefore, they are not reported in the funds.	<u>(675,382)</u>
--	------------------

Net Assets of Governmental Activities	<u><u>\$ 5,225,015</u></u>
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The Notes to Financial Statements are an integral part of this statement.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended March 31, 2006

EXHIBIT D

	MAJOR GOVERNMENTAL FUNDS					
	General Fund	Municipal Road	Fire	Compliance Impact and Benefit	Non-Major Governmental Funds	Total Governmental Funds
Revenues						
Taxes and Penalties	\$ 177,567	\$ 143,114				\$ 320,681
Licenses and Permits	20,969					20,969
State Grants	283,464					283,464
Contributions From Local Units	1,548					1,548
Charges for Services	28,519					28,519
Fines and Forfeitures	330					330
Interest and Rentals	13,944	1,184	\$ 680	\$ 65,702	\$ 391	81,901
Other Revenue	11,970		231,880	2,406	23,800	270,056
Total Revenues	538,311	144,298	232,560	68,108	24,191	1,007,468
Expenditures						
Current						
General Government	280,899					280,899
Public Safety	1,433		203,107			204,540
Public Works	7,388	129,315		110,000	23,964	270,667
Health and Welfare	2,300					2,300
Community and Economic Development	45,169					45,169
Other	46,435			2,406		48,841
Capital Outlay	1,763		39,276		1,627	42,666
Debt Service						
Principal	52,042		39,061			91,103
Interest	13,589		16,521			30,110
Total Expenditures	451,018	129,315	297,965	112,406	25,591	1,016,295
Excess of Revenues Over (Under) Expenditures	87,293	14,983	(65,405)	(44,298)	(1,400)	(8,827)
Other Financing Sources (Uses)						
Interfund Transfers In						
Primary Government	40,403				3,000	43,403
Interfund Transfers (Out)						
Primary Government	(3,000)			(40,000)	(403)	(43,403)
Total Other Financing Sources (Uses)	37,403	-	-	(40,000)	2,597	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	124,696	14,983	(65,405)	(84,298)	1,197	(8,827)
Fund Balance--April 1, 2005	406,662	129,535	101,443	202,057	59,718	899,415
Fund Balance--March 31, 2006	\$ 531,358	\$ 144,518	\$ 36,038	\$ 117,759	\$ 60,915	\$ 890,588

The Notes to Financial Statements are an integral part of this statement.

**DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2006**

EXHIBIT D-1

Net Change in Fund Balances--Total Governmental Funds \$ (8,827)

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However,
in the Statement of Activities, the costs of those assets are allocated over
their estimated useful lives and reported as depreciation expense.

Add--Capital Outlay	42,666
Deduct--Depreciation Expense	(58,993)
Deduct--Loss on Capital Asset Disposal	(584)

Repayment of loan principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the Statement of Net Assets.

Add--Principal Payments on Long-Term Liabilities	<u>91,103</u>
--	---------------

Change in Net Assets of Governmental Activities	<u><u>\$ 65,365</u></u>
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The Notes to Financial Statements are an integral part of this statement.

**DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
STATEMENT OF NET ASSETS
SEWER FUND--MAJOR ENTERPRISE FUND
MARCH 31, 2006**

EXHIBIT E

<u>ASSETS</u>	<u>Business-Type Activities</u>
Current Assets	
Cash and Cash Equivalents	\$ 19,570
Accounts Receivable	<u>6,866</u>
Total Current Assets	<u>26,436</u>
Noncurrent Assets	
Capital Assets (Net of Accumulated Depreciation)	<u>1,750,910</u>
Total Noncurrent Assets	<u>1,750,910</u>
Total Assets	<u>1,777,346</u>
<u>LIABILITIES</u>	
Noncurrent Liabilities	
Bonds Payable--Due Within One Year	19,207
Bonds Payable--Due in More Than One Year	<u>44,818</u>
Total Noncurrent Liabilities	<u>64,025</u>
Total Liabilities	<u>64,025</u>
<u>NET ASSETS</u>	
Investment in Capital Assets--Net of Related Debt Unrestricted	1,686,885
	<u>26,436</u>
Total Net Assets	<u><u>\$ 1,713,321</u></u>

The Notes to Financial Statements are an integral part of this statement.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS--SEWER FUND--MAJOR ENTERPRISE FUND
For the Year Ended March 31, 2006

EXHIBIT F

	Business-Type Activities
Operating Revenues	
Charges for Services	\$ 139,665
Total Operating Revenues	<u>139,665</u>
Operating Expenses	
Contractual Services	132,049
Depreciation	24,140
Administration Fees	<u>128</u>
Total Operating Expenses	<u>156,317</u>
Operating Income (Loss)	<u>(16,652)</u>
Nonoperating Revenues (Expenses)	
Interest and Investment Revenue	295
Interest Expense	<u>(3,630)</u>
Total Nonoperating Revenues (Expenses)	<u>(3,335)</u>
Income (Loss) Before Contributions and Transfers	<u>(19,987)</u>
Change in Net Assets	<u>(19,987)</u>
Total Net Assets--April 1, 2005	<u>1,733,308</u>
Total Net Assets--March 31, 2006	<u><u>\$ 1,713,321</u></u>

The Notes to Financial Statements are an integral part of this statement.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
STATEMENT OF CASH FLOWS
SEWER FUND--MAJOR ENTERPRISE FUND
For the Year Ended March 31, 2006

EXHIBIT G

	Business-Type Activities
Cash Flows From Operating Activities	
Receipts From Customers	\$ 156,123
Administrative Costs	(128)
Payments to Suppliers	(132,049)
Net Cash Provided by Operating Activities	23,946
Cash Flows From Capital and Related Financing Activities	
Bond Principal Payments	(19,209)
Interest Expense	(3,630)
Net Cash Provided by Capital and Related Financing Activities	(22,839)
Cash Flows From Investing Activities	
Interest Earned on Investments	295
Net Cash Provided by Investing Activities	295
Net Increase in Cash and Cash Equivalents	1,402
Cash and Cash Equivalents--April 1, 2005	18,168
Cash and Cash Equivalents--March 31, 2006	\$ 19,570
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (16,652)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	24,140
Changes in Assets and Liabilities	
Decrease (Increase) in Accounts Receivable	16,458
Net Cash Provided by Operating Activities	\$ 23,946

The Notes to Financial Statements are an integral part of this statement.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
STATEMENT OF NET ASSETS
FIDUCIARY FUND
March 31, 2006

EXHIBIT H

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash	\$ 198
Investments	<u>1,230</u>
Total Assets	<u><u>\$ 1,428</u></u>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities	
Due to Other Funds--Primary Government	\$ 1,000
Undistributed Tax Collections	<u>428</u>
Total Liabilities	<u><u>\$ 1,428</u></u>

The Notes to Financial Statements are an integral part of this statement.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Deerfield Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Deerfield Township:

Reporting Entity

Deerfield Township, which covers an area of 36 square miles, is located in Livingston County. The township provides services to approximately 4000 residents in many areas including fire protection, general administrative services, and community enrichment and development. Deerfield Township is a general law township governed by a 5-member board elected by the citizens of Deerfield Township. The township board consists of the supervisor, clerk, treasurer and two trustees whom reside in the community.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," these financial statements present the township for financial reporting purposes. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if component unit data were not included. Accordingly, there are no other governmental organizations required to be included in the financial statements of the township.

JOINTLY GOVERNED ORGANIZATION

Hartland Deerfield Tyrone Fire Authority

The Hartland Deerfield Tyrone Fire Authority consists of the Townships of Hartland, Deerfield and Tyrone. The principal office of the Authority is located at 3205 Hartland Road, Hartland, Michigan. Financial records for the board are recorded and maintained on a contractual basis by the Hartland Township Director of Finance. The Fire Authority Board shall determine the financial responsibility of each township of the approved authority budget for the subsequent fiscal year by applying a formula that combines weighted equivalents of State Equalized Value (SEV), population from the last available census, and an average of the past three years of incident hours per year.

Deerfield Township's appropriation to the Hartland Deerfield Tyrone Fire Authority for the year ended March 31, 2006 was \$170,303 for operating expenses and \$31,472 for fire apparatus.

Subsequent event: Tyrone Township withdrew from the Fire Authority effective April 1, 2006. See Note J for more information regarding the withdrawal.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the township.

The township reports the following major governmental funds:

The General Fund is the township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Municipal Road Fund accounts for road maintenance and improvements, and is funded by a property tax millage.

The Fire Fund accounts for special assessments collected for the purpose of fire protection and emergency services provided by the Hartland Deerfield Tyrone Fire Authority.

The Compliance Impact and Benefit Fund accounts for gravel mining royalty revenue that is used for costs of compliance with environmental laws and regulations related to gravel mining, including road repairs and for general government activities.

The township reports the following major proprietary fund:

The Sewer Fund accounts for the sewer operations of the township.

Additionally, the township reports the following fund type:

Agency Fund--This fund accounts for assets held on behalf of outside parties, including other governments.

Private-sector standards of accounting and financial reporting, issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The township has elected to consistently apply all applicable FASB pronouncements issued subsequent to November 30, 1989 in accounting and reporting for its proprietary operation.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principal ongoing operations (sewer). Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the township's policy to use restricted resources first, then unrestricted resources as they are needed.

Bank Deposits and Investments

For the purposes of the statement of cash flows, demand deposits and short-term investments with maturity of three months or less, when acquired, are considered to be cash equivalents. Investments for the government are reported at fair value.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property Taxes

Generally accepted accounting principles require revenues to be recognized in the accounting period in which they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The township property tax is levied on each December 1st on the taxable valuation of property located in the township as of the preceding December 31st.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

It is the township's policy to recognize revenues in the current year when the proceeds are budgeted and made available for the financing of township operations. Payment from the county for the 2005 delinquent taxes, which it purchased subsequent to March 31st, is recorded as delinquent taxes receivable in the General Fund and Municipal Road Fund.

The 2005 taxable value of Deerfield Township amounted to \$140,050,531, on which ad valorem taxes of .9532 mills, \$137,771, were levied for township operating purposes; and .9859 special voted mills, \$143,114, were levied for township road purposes. These taxes are recorded as revenue on township records in and for the fiscal year ended March 31, 2006.

Special Assessments

Special assessments are levied annually for fire authority, and lake level maintenance and improvement purposes. The assessment is payable on or after December 1st.

It is the township's policy to recognize revenues in the current year when the current assessments are collected. Payment from the county for the 2005 delinquent assessments, which it purchased subsequent to March 31st, is recorded as delinquent special assessments receivable in the special revenue funds.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The township has no infrastructure to report.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

	<u>Governmental Funds</u>	<u>Enterprise Fund</u>
Land Improvements	12 to 40 years	
Communications Tower	40 years	
Buildings	40 years	
Equipment and Furniture	5 to 10 years	
Sewer System		40 years

Long-Term Obligations

In the government-wide financial statements and proprietary fund type statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The annual budget is prepared by the township supervisor and, after a public budget hearing is held, adopted by the township board at an open meeting of the board. The township board approves all subsequent amendments to the budget. The General Fund and Special Revenue Funds are under formal budgetary control. The budget has been prepared on the modified accrual basis of accounting, which is in accordance with generally accepted accounting principles. The budget has been adopted at the activity level. Budgeted revenues and expenditures include any authorized amendments to the original budget as adopted. Unexpended appropriations lapse at year end.

NOTE C--CASH AND INVESTMENTS

Michigan Compiled Laws (MCL), Section 129.91, authorizes the township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities, and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Deposits are carried at cost. Deposits of the township are at two banks in the name of the township. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in the instruments described in the preceding paragraph. The township's deposits are in accordance with statutory authority.

The risk disclosures for the township's deposits at March 31, 2006, as required by the Governmental Accounting Standards Board (GASB) Statement No. 40, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 574,725	\$ 19,570	\$ 198	\$ 594,493
Investments	<u>236,797</u>	<u></u>	<u>1,230</u>	<u>238,027</u>
Total	<u><u>\$ 811,522</u></u>	<u><u>\$ 19,570</u></u>	<u><u>\$ 1,428</u></u>	<u><u>\$ 832,520</u></u>

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE C--CASH AND INVESTMENTS (Continued)

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 594,393
Investments	238,027
Petty Cash and Cash on Hand	<u>100</u>
Total	<u>\$ 832,520</u>

The bank balances of the primary government's deposits are \$696,538, of which \$200,000 is covered by Federal depository insurance.

Investments Authorized by the Township's Investment Policy

The township's investment policy only authorizes investment in all those that are authorized by law. The township's investment policy does not limit its exposure to interest rate risk, credit risk, and concentration of credit risk.

The township has limited its investments to money markets.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the township manages its exposure to interest rate risk is by participating in mutual funds which hold diverse investments that are authorized by law for direct investment.

<u>Investments</u>	<u>Fair Value</u>
Governmental Money Market Fund	\$ 238,027

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE C--CASH AND INVESTMENTS (Continued)

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

The nature of mutual funds, insurance annuities, bond funds and equity pools do not allow for risk-categorization, which is in accordance with GASB Statement No. 40.

NOTE D--RECEIVABLES

Receivables as of year end for the primary government's individual major and nonmajor funds are as follows:

	Primary Government						
	General Fund	Municipal Road	Fire Fund	Compliance Impact & Benefit	Sewer Fund	Non-Major Funds	Total
Taxes	\$ 15,587	\$ 14,068					\$ 29,655
Special Assessments			\$ 21,394			\$ 2,533	23,927
Accounts	1,839			\$ 43,812	\$ 6,866		52,517
Due From State	46,476						46,476
Less: Allowance for Uncollectibles							-
Total	<u>\$ 63,902</u>	<u>\$ 14,068</u>	<u>\$ 21,394</u>	<u>\$ 43,812</u>	<u>\$ 6,866</u>	<u>\$ 2,533</u>	<u>\$ 152,575</u>

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE E--CAPITAL ASSETS

Capital asset activity of the township's governmental funds for the current year was as follows:

<u>Governmental Activities</u>	<u>Account Balances 04/01/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Account Balances 03/31/06</u>
Capital Assets Not Being Depreciated				
Land	\$ 3,344,441			\$ 3,344,441
Land Improvements	152,252			152,252
Park Land Improvements	68,378		\$ 31,089 *	37,289
Subtotal	<u>3,565,071</u>	<u>\$ -</u>	<u>31,089</u>	<u>3,533,982</u>
Capital Assets Being Depreciated				
Land Improvements	74,964	32,716 *		107,680
Communications Tower	84,000			84,000
Buildings	1,352,177	39,276		1,391,453
Equipment and Furniture	107,859	1,763	2,243	107,379
Subtotal	<u>1,619,000</u>	<u>73,755</u>	<u>2,243</u>	<u>1,690,512</u>
Less Accumulated Depreciation				
Land Improvements	7,496	14,039		21,535
Communications Tower	2,100	2,100		4,200
Buildings	73,608	36,230		109,838
Equipment and Furniture	74,147	6,624	1,659	79,112
Subtotal	<u>157,351</u>	<u>58,993</u>	<u>1,659</u>	<u>214,685</u>
Net Capital Assets Being Depreciated	<u>1,461,649</u>	<u>73,755</u>	<u>59,577</u>	<u>1,475,827</u>
Governmental Activities Capital Total				
Capital Assets--Net of Depreciation	<u>\$ 5,026,720</u>	<u>\$ 73,755</u>	<u>\$ 90,666</u>	<u>\$ 5,009,809</u>

* A portion of the (\$31,089) Park Land Improvements was reclassified to Depreciated Land Improvements.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE E--CAPITAL ASSETS (Continued)

Capital asset activity of the township's enterprise fund for the current year was as follows:

<u>Business-Type Activities</u>	<u>Account Balances 04/01/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Account Balances 03/31/06</u>
Capital Assets Not Being Depreciated				
Land	\$ 14,077			\$ 14,077
Subtotal	<u>14,077</u>	<u>\$ -</u>	<u>\$ -</u>	<u>14,077</u>
Capital Assets Being Depreciated				
Sewage Disposal System	<u>2,223,448</u>			<u>2,223,448</u>
Subtotal	<u>2,223,448</u>	<u>-</u>	<u>-</u>	<u>2,223,448</u>
Less Accumulated Depreciation				
Sewage Disposal System	<u>462,475</u>	<u>24,140</u>		<u>486,615</u>
Subtotal	<u>462,475</u>	<u>24,140</u>	<u>-</u>	<u>486,615</u>
Net Capital Assets Being Depreciated	<u>1,760,973</u>	<u>-</u>	<u>24,140</u>	<u>1,736,833</u>
Business-Type Activities Capital Total Capital Assets--Net of Depreciation	<u><u>\$ 1,775,050</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 24,140</u></u>	<u><u>\$ 1,750,910</u></u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General Government	\$ 36,419
Public Safety	16,031
Recreation and Cultural	<u>6,543</u>
Total Governmental Activities	<u><u>\$ 58,993</u></u>
Business-Type Activities	
Sewer	<u>\$ 24,140</u>
Total Business-Type Activities	<u><u>\$ 24,140</u></u>

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE F--INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The amounts of the interfund receivables and payables for the township are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 121,500	Fire Agency	\$ 120,500 1,000
Total	<u>\$ 121,500</u>		<u>\$ 121,500</u>

The 2006 operating transfers can be summarized as follows:

	<u>Transfers In</u>		<u>Transfers (Out)</u>
General	\$ 40,403	Compliance Impact and Benefit	\$ (40,000)
		Non-Major Governmental	(403)
Non-Major Governmental	<u>3,000</u>	General	<u>(3,000)</u>
Totals	<u>\$ 43,403</u>		<u>\$ (43,403)</u>

NOTE G--LONG-TERM DEBT

The township issues bonds to provide for the acquisition and construction of major capital improvements. General obligation bonds are direct obligations and pledge the full faith and credit of the township. Township contractual agreements and installment purchase agreements are also general obligations of the township. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE G--LONG-TERM DEBT (Continued)

Bond and contractual obligation activity can be summarized as follows:

	<u>Balances</u> <u>04/01/05</u>	<u>Additions</u> <u>(Reductions)</u>	<u>Balances</u> <u>03/31/06</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Activities</u>				
Installment Loan with First National Bank in Howell for a municipal building (Town Hall) (Cornerstone Engineering assigned an installment purchase agreement to First National Bank in Howell)	\$ 305,554	\$ (44,432)	\$ 261,122	\$ 261,122
Installment Loan with First National Bank in Howell for a municipal building (Town Hall) (Cornerstone Engineering assigned an installment purchase agreement to First National Bank in Howell)	63,448	(7,610)	55,838	55,838
Installment Loan with First National Bank in Howell for a municipal building (Fire Hall) (Bernco Inc. assigned an installment purchase agreement to First National Bank in Howell)	<u>397,483</u>	<u>(39,061)</u>	<u>358,422</u>	<u>40,794</u>
Total Governmental Activities	<u><u>\$ 766,485</u></u>	<u><u>\$ (91,103)</u></u>	<u><u>\$ 675,382</u></u>	<u><u>\$ 357,754</u></u>
<u>Business-Type Activities</u>				
Sewage Disposal System Upgrade 3.7 - 4.5% 1999 Bonds	<u>\$ 83,233</u>	<u>\$ (19,208)</u>	<u>\$ 64,025</u>	<u>\$ 19,207</u>
Total Business-Type Activities	<u><u>\$ 83,233</u></u>	<u><u>\$ (19,208)</u></u>	<u><u>\$ 64,025</u></u>	<u><u>\$ 19,207</u></u>
Total Reporting Entity Activities	<u><u>\$ 849,718</u></u>	<u><u>\$ (110,311)</u></u>	<u><u>\$ 739,407</u></u>	<u><u>\$ 376,961</u></u>

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE G--LONG-TERM DEBT (Continued)

The debt service requirements to maturity for the township's debt obligations outstanding at March 31, 2006, are as follows:

Annual Debt Service Requirements--Governmental Activities

Installment Loan Payable

Installment loan with First National Bank in Howell for a municipal building. (Cornerstone Engineering assigned an installment purchase agreement to First National Bank in Howell.)

Date of Loan: March 11, 2002

Amount of Loan: \$417,725

Interest Rate: 3.9%

The loan bears interest at 3.9% payable in 60 monthly installments of \$4,220.71 plus a balloon payment of \$228,603 in March 2007, as follows:

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
03/31/07	<u>\$ 261,122</u>	<u>\$ 8,908</u>	<u>\$ 270,030</u>
	<u><u>\$ 261,122</u></u>	<u><u>\$ 8,908</u></u>	<u><u>\$ 270,030</u></u>

Installment Loan Payable

Installment loan with First National Bank in Howell for a municipal building. (Cornerstone Engineering assigned an installment purchase agreement to First National Bank in Howell.)

Date of Loan: August 16, 2002

Amount of Loan: \$82,275

Interest Rate: 3.9%

The loan bears interest at 3.9% payable in 54 monthly installments of \$831.87 plus a balloon payment of \$49,423 in March 2007, as follows:

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
03/31/07	<u>\$ 55,838</u>	<u>\$ 1,903</u>	<u>\$ 57,741</u>
	<u><u>\$ 55,838</u></u>	<u><u>\$ 1,903</u></u>	<u><u>\$ 57,741</u></u>

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE G--LONG-TERM DEBT (Continued)

Installment Loan Payable

Installment loan with First National Bank in Howell for a township fire hall building. (Bernco Inc. assigned an installment purchase agreement to First National Bank in Howell.)

Date of Loan: November 10, 2003

Amount of Loan: \$450,000

Interest Rate: 4.35%

The loan bears interest at 4.35% payable in 59 monthly installments of \$4,631.82 plus a balloon payment of \$253,999 in December 2008, as follows:

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
03/31/07	\$ 40,794	\$ 14,787	\$ 55,581
03/31/08	42,571	13,011	55,582
03/31/09	<u>275,057</u>	<u>6,735</u>	<u>281,792</u>
	<u>\$ 358,422</u>	<u>\$ 34,533</u>	<u>\$ 392,955</u>

Annual Debt Service Requirements--Business-Type Activities

The township has a sewage disposal system in place for a portion of its properties. The township contracts with Argentine Township to handle fee collections and with Genesee County for maintenance of the system.

Sanitary Sewage Disposal System Upgrade Bonds

Deerfield Township and Argentine Township (Genesee County) entered into a Sanitary Sewage Disposal System Upgrade Bonds agreement with a total issue of \$675,000. Deerfield Township's share of the bonds is 25.61% or \$172,867.

Date of Issue: June 1, 1999

Interest Rate: 3.7 - 4.5%

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
03/31/07	\$ 19,207	\$ 2,824	\$ 22,031
03/31/08	19,208	1,998	21,206
03/31/09	<u>25,610</u>	<u>1,152</u>	<u>26,762</u>
	<u>\$ 64,025</u>	<u>\$ 5,974</u>	<u>\$ 69,999</u>

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE H--POST-EMPLOYMENT BENEFITS

The township does not offer post-employment benefits to its employees or elected officials.

NOTE I--RISK MANAGEMENT

The township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The township continues to carry commercial insurance for property, liability, wrongful acts, crime, inland marine, and other risks of loss including workers' compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past 3 fiscal years.

NOTE J--SUBSEQUENT EVENT

Tyrone Township withdrew from the Fire Authority effective April 1, 2006. As a result of the withdrawal, Deerfield Township and the Fire Authority are involved in a lawsuit with Tyrone Township over amounts owed by Tyrone Township to the Fire Authority and/or Deerfield Township. Deerfield Township's management is not certain of the financial effects the withdrawal and/or lawsuits will have on Deerfield Township or the Fire Authority.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended March 31, 2006

EXHIBIT I

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
Fund Balance--April 1, 2005	\$ 352,690	\$ 406,662	\$ 406,662	-
Resources (Inflows)				
Property Taxes	135,000	135,000	177,567	\$ 42,567
Licenses and Permits	13,000	13,000	20,969	7,969
State Grants	265,000	265,000	283,464	18,464
Contributions From Local Units of Government	-	-	1,548	1,548
Charges for Services	15,700	15,700	28,519	12,819
Fines and Forfeitures	500	500	330	(170)
Interest and Rentals	13,300	13,300	13,944	644
Other Revenue	15,000	15,000	11,970	(3,030)
Transfers From Other Funds	40,000	40,000	40,403	403
Amounts Available for Appropriation	850,190	904,162	985,376	81,214
Charges to Appropriations (Outflows)				
Current				
General Government	317,500	299,700	280,899	18,801
Public Safety	1,000	1,800	1,433	367
Public Works	8,500	7,500	7,388	112
Health and Welfare	3,800	3,800	2,300	1,500
Community and Economic Development	36,000	46,500	45,169	1,331
Other	38,000	48,000	46,435	1,565
Capital Outlay	10,000	2,000	1,763	237
Debt Service				
Principal	52,100	52,100	52,042	58
Interest	13,900	13,900	13,589	311
Transfers to Other Funds	10,000	3,000	3,000	-
Total Charges to Appropriations	490,800	478,300	454,018	24,282
Fund Balance--March 31, 2006	\$ 359,390	\$ 425,862	\$ 531,358	\$ 105,496

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL ROAD FUND
Year Ended March 31, 2006

EXHIBIT J

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
Fund Balance--April 1, 2005	\$ 90,003	\$ 129,535	\$ 129,535	-
Resources (Inflows)				
Property Taxes	130,000	130,000	143,114	\$ 13,114
Interest and Rentals	500	500	1,184	684
Amounts Available for Appropriation	220,503	260,035	273,833	13,798
Charges to Appropriations (Outflows)				
Current				
Public Works	150,500	150,500	129,315	21,185
Total Charges to Appropriations	150,500	150,500	129,315	21,185
Fund Balance--March 31, 2006	\$ 70,003	\$ 109,535	\$ 144,518	\$ 34,983

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
FIRE FUND
Year Ended March 31, 2006

EXHIBIT K

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
Fund Balance--April 1, 2005	\$ 52,986	\$ 101,443	\$ 101,443	-
Resources (Inflows)				
Interest and Rentals			680	\$ 680
Other Revenue	230,000	230,000	231,880	1,880
Amounts Available for Appropriation	282,986	331,443	334,003	2,560
Charges to Appropriations (Outflows)				
Current				
Public Safety	189,119	203,175	203,107	68
Capital Outlay	20,000	40,000	39,276	724
Debt Service				
Principal	39,061	39,061	39,061	-
Interest	16,521	16,521	16,521	-
Total Charges to Appropriations	264,701	298,757	297,965	792
Fund Balance--March 31, 2006	\$ 18,285	\$ 32,686	\$ 36,038	\$ 3,352

**DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
COMPLIANCE IMPACT AND BENEFIT FUND
Year Ended March 31, 2006**

EXHIBIT L

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
Fund Balance--April 1, 2005	\$ 29,423	\$ 202,057	\$ 202,057	-
Resources (Inflows)				
Interest and Rentals	33,000	33,000	65,702	\$ 32,702
Other Revenue	4,000	4,000	2,406	(1,594)
Amounts Available for Appropriation	66,423	239,057	270,165	31,108
Charges to Appropriations (Outflows)				
Current				
Public Works		110,000	110,000	-
Other	4,000	4,000	2,406	1,594
Transfers to Other Funds	40,000	40,000	40,000	-
Total Charges to Appropriations	44,000	154,000	152,406	1,594
Fund Balance--March 31, 2006	\$ 22,423	\$ 85,057	\$ 117,759	\$ 32,702

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
March 31, 2006

EXHIBIT M

	SPECIAL REVENUE FUNDS				DEBT SERVICE FUND	CAPITAL PROJECTS FUND	
	Hidden Lake Special Assessment	Lobdell Lake Special Assessment	Ryan Lake Special Assessment	Katrine Hills Special Assessment	Wolcott Mill Special Assessment	Deerfield Hills Park	Total
<u>ASSETS</u>							
Cash	\$ 3,074	\$ 21,120	\$ 12,471	\$ 2,109		\$ 19,958	\$ 58,732
Receivables							
Special Assessments	125	1,000	1,258	150			2,533
Total Assets	\$ 3,199	\$ 22,120	\$ 13,729	\$ 2,259	\$ -	\$ 19,958	\$ 61,265
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities							
Accounts Payable	\$ 350						\$ 350
Total Liabilities	350	\$ -	\$ -	\$ -	\$ -	\$ -	350
Fund Balances							
Reserved for							
Program Special Assessments	2,849	22,120	13,729	2,259			40,957
Capital Projects						19,958	19,958
Total Fund Balances	2,849	22,120	13,729	2,259	-	19,958	60,915
Total Liabilities and Fund Balances	\$ 3,199	\$ 22,120	\$ 13,729	\$ 2,259	\$ -	\$ 19,958	\$ 61,265

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended March 31, 2006

EXHIBIT N

	SPECIAL REVENUE FUNDS				DEBT SERVICE FUND	CAPITAL PROJECTS FUND	
	Hidden Lake Special Assessment	Lobdell Lake Special Assessment	Ryan Lake Special Assessment	Katrine Hills Special Assessment	Wolcott Mill Special Assessment	Deerfield Hills Park	Total
Revenues							
Interest and Rents	\$ 2	\$ 173	\$ 51	\$ 1	\$ 1	\$ 163	\$ 391
Other	3,250	8,600	8,800	3,150			23,800
Total Revenues	3,252	8,773	8,851	3,151	1	163	24,191
Expenditures							
Current							
Public Works	3,791	8,142	8,460	3,571			23,964
Capital Outlay						1,627	1,627
Total Expenditures	3,791	8,142	8,460	3,571	-	1,627	25,591
Excess of Revenues Over (Under) Expenditures	(539)	631	391	(420)	1	(1,464)	(1,400)
Other Financing Sources (Uses)							
Operating Transfers In						3,000	3,000
Operating Transfers (Out)					(403)		(403)
Total Other Financing Sources (Uses)	-	-	-	-	(403)	3,000	2,597
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(539)	631	391	(420)	(402)	1,536	1,197
Fund Balance--April 1, 2005	3,388	21,489	13,338	2,679	402	18,422	59,718
Fund Balance--March 31, 2006	\$ 2,849	\$ 22,120	\$ 13,729	\$ 2,259	\$ -	\$ 19,958	\$ 60,915

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended March 31, 2006

EXHIBIT O

	Balance 04/01/05	Additions	Deductions	Balance 03/31/06
<u>CURRENT TAX COLLECTION FUND</u>				
Assets				
Cash	\$ (1,338)	\$ 3,889,420	\$ 3,887,884	\$ 198
Investments	38,769	3,852,896	3,890,435	1,230
Total Assets	<u>\$ 37,431</u>	<u>\$ 7,742,316</u>	<u>\$ 7,778,319</u>	<u>\$ 1,428</u>
Liabilities				
Due to Other Funds	\$ 1,000			\$ 1,000
Undistributed Tax Collections	36,431	\$ 3,780,273	\$ 3,816,276	428
Total Liabilities	<u>\$ 37,431</u>	<u>\$ 3,780,273</u>	<u>\$ 3,816,276</u>	<u>\$ 1,428</u>

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
SCHEDULE OF REVENUES AND OTHER SOURCES--BY SOURCE
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended March 31, 2006

EXHIBIT P

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Taxes				
Current Property Taxes	\$ 135,000	\$ 135,000	\$ 137,771	\$ 2,771
Payments in-Lieu-of Taxes			264	264
Property Tax Administration Fees			39,532	39,532
Total Taxes	135,000	135,000	177,567	42,567
Licenses and Permits				
Cable Franchise Fees	5,000	5,000	14,089	9,089
Land Use Permits	8,000	8,000	6,880	(1,120)
Total Licenses and Permits	13,000	13,000	20,969	7,969
State Grants				
Metro Act			4,115	4,115
Revenue Sharing	265,000	265,000	279,349	14,349
Total State Grants	265,000	265,000	283,464	18,464
Contributions From Local Units of Government				
Livingston County--Solid Waste Management			1,548	1,548
Total Contributions From Local Units of Government	-	-	1,548	1,548
Charges for Services				
Zoning Fees	12,000	12,000	22,634	10,634
Zoning Board of Appeals	2,000	2,000	575	(1,425)
Summer School Tax and Other Administration Fees	1,000	1,000	4,598	3,598
Copies and Printed Materials Sales	700	700	712	12
Total Charges for Services	15,700	15,700	28,519	12,819
Fines and Forfeitures				
Bond Forfeitures	500	500	330	(170)
Total Fines and Forfeitures	500	500	330	(170)
Interest and Rents				
Interest Earned	4,300	4,300	4,344	44
Rent	9,000	9,000	9,600	600
Total Interest and Rents	13,300	13,300	13,944	644
Other Revenue				
Reimbursements	15,000	15,000	9,970	(5,030)
Legal Settlement Proceeds			2,000	2,000
Total Other Revenue	15,000	15,000	11,970	(3,030)
Total Revenues	457,500	457,500	538,311	80,811
Other Sources				
Operating Transfers In From				
Wolcott Mill Special Assessment Fund			403	403
Compliance Impact and Benefit Fund	40,000	40,000	40,000	-
Total Other Sources	40,000	40,000	40,403	403
Total Revenue and Other Sources	\$ 497,500	\$ 497,500	\$ 578,714	\$ 81,214

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
SCHEDULE OF EXPENDITURES AND OTHER USES--BY ACTIVITY
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended March 31, 2006

EXHIBIT Q

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable)
General Government				
Township Board	\$ 15,000	\$ 14,000	\$ 13,199	\$ 801
Supervisor	31,000	28,000	26,587	1,413
Clerk	50,000	60,000	58,576	1,424
Board of Review	1,500	3,000	2,724	276
Other General Services--Administration	45,000	40,000	35,382	4,618
Treasurer	45,000	40,000	37,830	2,170
Assessor	38,000	35,700	35,227	473
Elections	16,000	7,000	6,008	992
Building and Grounds	40,000	35,000	30,615	4,385
Attorney	26,000	27,000	24,811	2,189
Audit	10,000	10,000	9,940	60
Total General Government	317,500	299,700	280,899	18,801
Public Safety				
Fire	1,000	1,800	1,433	367
Total Public Safety	1,000	1,800	1,433	367
Public Works				
Drains-at-Large Assessments	1,000	1,000	1,000	-
Refuse Collection and Disposal	7,500	6,500	6,388	112
Total Public Works	8,500	7,500	7,388	112
Health and Welfare				
Community Action Programs	3,800	3,800	2,300	1,500
Total Health and Welfare	3,800	3,800	2,300	1,500
Community and Economic Development				
Planning Commission	15,000	25,500	24,990	510
Zoning Administration Department	17,000	17,000	16,742	258
ZBA Department	4,000	4,000	3,437	563
Total Community and Economic Development	36,000	46,500	45,169	1,331
Other				
Insurance, Bonds and FICA	38,000	48,000	46,435	1,565
Total Other	38,000	48,000	46,435	1,565
Capital Outlay				
Office Equipment and Furniture	10,000	2,000	1,763	
Total Capital Outlay	10,000	2,000	1,763	237
Debt Service				
Principal	52,100	52,100	52,042	58
Interest	13,900	13,900	13,589	311
Total Debt Service	66,000	66,000	65,631	369
Total Expenditures	480,800	475,300	451,018	24,282
Other Uses				
Operating Transfers (Out)				
Deerfield Hills Park Fund	10,000	3,000	3,000	-
Total Other Uses	10,000	3,000	3,000	-
Total Expenditures and Other Uses	\$ 490,800	\$ 478,300	\$ 454,018	\$ 24,282



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

July 31, 2006

Township Board
Deerfield Township
4492 Center Road
Linden, Michigan 48451

RE: Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in Accordance
With Government Auditing Standards

Dear Board Members:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Deerfield Township, Livingston County, Michigan, as of and for the year ended March 31, 2006, which collectively comprise Deerfield Township's basic financial statements and have issued our report thereon dated July 31, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting--In planning and performing our audit, we considered Deerfield Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Deerfield Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying report of Comments and Recommendations as Finding 2006-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal

control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

Compliance and Other Matters--As part of obtaining reasonable assurance about whether Deerfield Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the township board, management, Federal awarding agencies, and State and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

TOWNSHIP OF DEERFIELD--LIVINGSTON COUNTY

COMMENTS AND RECOMMENDATIONS

REPORTABLE CONDITION

The following is a detailed description and recommendation of the reportable condition involving the internal controls.

Investment Policy

Finding 2006-01

Condition: The township does not have an updated investment policy that contains credit risk assessments and disclosures for investments as required by GASB No. 40.

Criteria: For years beginning after June 30, 2004, GASB Statement No. 40 requires governmental units to have an investment policy that contains investment risk assessments and additional disclosure requirements for investments.

Recommendation: We recommend that the township treasurer's office formulate an updated investment policy that includes the requirements of GASB No. 40; and that the township board adopts the new policy.